

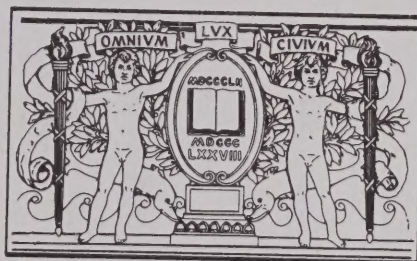
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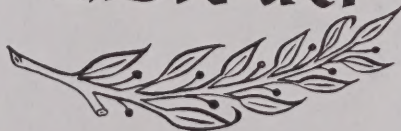
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# Boston Meets Two Important Hotel Room Goals

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THOMAS M. MENINO, MAYOR  
CITY OF BOSTON

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December 1998





## **BOSTON MEETS TWO IMPORTANT HOTEL ROOM GOALS**

Thanks to the continued strong hotel market, the City of Boston recently met and surpassed two goals for new hotel room construction - one set by state officials and one set by the Mayor himself. This increase in hotel rooms is especially important because it allows the construction of the new Boston Convention and Exhibition Center to move forward, while increasing the city's ability to accommodate visitors to Boston. This report describes the recent growth in the number of hotel rooms and updates *Hotels - A Comprehensive Report on the Past, Present, and Future of Boston's Hotel Industry* published by the BRA in November 1997.

### **Hotel Room Goal Met for Convention Center**

Legislation authorizing construction of the new Boston Convention and Exhibition Center (BCEC) set goals for (1) *the addition of 2,800 new hotel rooms to open in Boston and Cambridge by the end of the year 2000; and (2) a total of 4,800 hotel rooms [including the 2,800 cited in (1)] to open in Boston and Cambridge by the year 2003 when the BCEC is set to begin operations.* The purpose of setting this goal was to ensure that sufficient revenues from hotel room taxes would be available to repay the bonds used to finance construction of the new convention center.

The Boston Redevelopment Authority is pleased to report that, as of November 1998, construction of new hotel rooms in Boston and Cambridge has already met – and exceeded - the Boston Convention and Exhibition Center goals - five years before the new facility is scheduled to open. The "Marketability Study" prepared by the Boston Redevelopment Authority and the Convention Center Authority reporting this achievement was officially accepted by the chief financial officers of the city and state on November 21<sup>st</sup>. This acceptance, as required by law, signaled the final approval needed to authorize the financing of the new Convention Center.

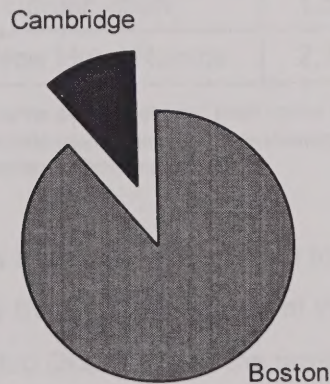




The combination of new hotel rooms that have already been added to the existing supply, rooms under construction, and rooms formally approved or in the approval process in Boston and Cambridge totals 5,741 - almost 1,000 more than the requirement. Of the new rooms added, 5,084 are located in Boston and 657 are in Cambridge.

New Hotel Rooms in Boston and Cambridge by the year 2003		
	Number	Percent
Boston	5,084	88.6
Cambridge	657	11.4
Total New Hotel Rooms	5,741	100.0

Note: the official count of rooms to address the Boston Convention and Exhibition Center requirement differs slightly from the figures in the rest of this report pertaining to the City of Boston's overall hotel market. Not only does the BCEC count include Cambridge as well as Boston, it excludes hotel rooms added as the result of the expansion of existing hotels or lost due to the demolition or replacement of hotels.



*New Hotel Rooms in Boston and Cambridge by the year 2003*





## Mayor's Hotel Room Goal Of 2,000 By 2000 Met

In addition to the convention center legislation goal, Boston Mayor Thomas Menino last year set his own ambitious goal – to add 2,000 new hotel rooms in Boston by the year 2000. The Mayor set the goal to make sure that Boston's hotels, which enjoyed a record high annual occupancy rate of nearly 80% in 1997, could meet the continued growth in the demand for rooms by visitors.

The Boston Redevelopment Authority is pleased to report that the Mayor's goal has already been met - and surpassed. Since July 1, 1997, the number of hotel rooms that have been added or are under construction totals 2,342. Of the new rooms, 799 have already been completed and 1,543 are currently under construction and scheduled for completion in or before the year 2000.

New Hotel Rooms in Boston by the Year 2000*	
Completed	799
Under Construction	1,543
Total New Hotel Rooms	2,342

\* These rooms are all "net new" hotel rooms and do not include rooms transferred, renovated, or built to replace obsolete properties.

The 799 new hotel rooms that have been added to Boston's hotel stock are to be found in such diverse settings as the time share units of the renovated Custom House Tower, corporate suites in the Club Quarters and the family-owned and operated Harborside Inn - all converted from office buildings in the financial district - and the new luxury Seaport Hotel at the World Trade Center. The 1,543 hotel rooms already under construction are contained in seven new hotels and two additions to existing hotels.





### ***Boston's Hotel Room Stock Reaches New High and Still Growing***

The recently added hotel rooms bring the total number of hotel rooms in Boston to 13,358 - the highest number in the city's history. When the 1,543 hotel rooms now under construction come on line by the year 2000, the total number of hotel rooms in the city will reach a new record high of 14,801. This reflects an 18% increase in less than three years. All of these rooms are in the kind of major hotels (50 or more rooms) that are traditionally most popular with business travelers and conventioners.

Hotel Room Stock in Boston	
Rooms in major hotels (over 50 rooms)	12,935
Rooms in Small Hotels and other Lodging (under 50 rooms)	423
<b>Total Hotel Rooms - Current</b>	<b>13,358</b>
Rooms under construction in major hotels to open by the year 2000	1,543
<b>Total Hotel Rooms - Year 2000</b>	<b>14,901</b>
Rooms planned in major hotels scheduled to open by the year 2003	2,359
<b>Total Hotel Rooms - Year 2003</b>	<b>17,260</b>

By the year 2003, another 2,359 rooms are scheduled to be built in eight new hotels. These new hotels will bring the number of rooms in Boston to yet another all-time high of 17,260, a projected increase of 37% since 1997.





### ***Boston's Hotel Market is Stronger than Ever***

Despite the record supply of hotel rooms, Boston's hotel market continues to experience record demand. Record highs were set in both annual average hotel room occupancy rate (79.6%) and annual average daily room rate (\$162.63) in 1997. These figures represented a total of 3.6 million room nights and over \$573 million in gross revenue from hotel occupancy, both also record highs.

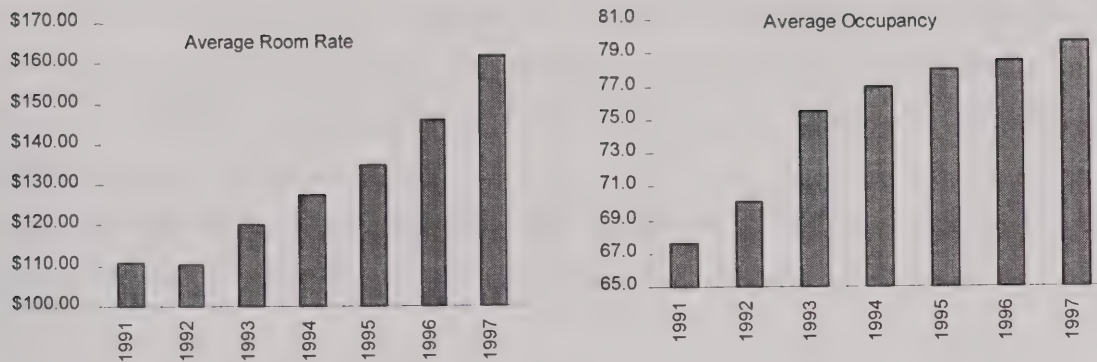
Boston Occupancy and Room Rates: 1991-1997		
Year	Occupancy Rate (%)	Average Daily Room Rate
1991	65.4	\$108.29
1992	72.3	\$117.57
1993	75.5	\$120.36
1994	77.0	\$127.36
1995	78.0	\$135.00
1996	78.4	\$145.91
1997	79.6	\$161.63

Source: PKF Consulting and Pinnacle Advisory Group

The continually rising occupancy and room rates in Boston reflect a steady seven year upward trend. Between 1991 and 1997, the annual average occupancy rate increased more than 14 percentage points and the average daily room rate increased more than \$53. The number of Boston hotel visitors has likewise continued to grow, not as much during the popular Summer and Fall months when Boston hotels are often filled to capacity, but in the less busy Winter months when there are rooms available to meet the increased demand. In 1998, guest counts were up 10.4% in January, 2.8% in February, and 5.5% in March, compared with the same months the previous year. In order to host even more visitors, however - especially during the peak seasons - the city must build even more hotel rooms.







*Occupancy and Room Rates in Boston: 1991-1997*

The record occupancy and room rates tell only part of the story of Boston's growing popularity with travelers and the expanding economic importance of its hospitality sector. The increased volume in hotel business tells the rest of the story. The previous record high rates that were set in the 1980s reflected the sale of just over 1.9 million room nights to guests. The 1997 record rates were set with the addition of 5,349 hotel rooms built in the last decade and reflect the sale of more than 3.5 million room nights, an 85% increase in business volume from the peak reached in the 1980s.

### ***Boston Still Suffers from "Hotel Room Deficit"***

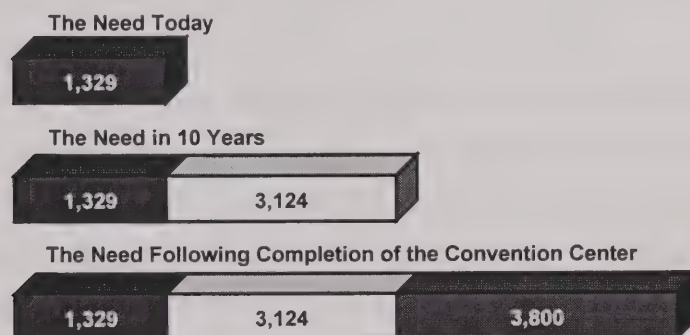
Even with its current record supply of hotel room stock, however, Boston's hotels are still at full capacity for all practical purposes during most of the year. To meet the continuing demand and to accommodate anticipated growth, the city continues to need even more hotel rooms to reach a proper balance between demand and supply. Boston still suffers from a "hotel room deficit" of 8,253 rooms for the next decade.





The deficit is broken down into these categories:

- an additional 1,329 hotel rooms needed today to meet existing demand and recapture the business currently being turned away to suburban hotels.
- an additional 3,124 hotel rooms needed over the next 10 years to meet the projected growth in demand.
- an additional 3,800 more hotel rooms needed once the proposed new convention center is open and operating at full capacity.



*Figure 3 - Hotel Room Needs for The City of Boston*

### ***Boston's On Track to Ease Hotel Room Shortage***

Fortunately, Boston is in the process of producing almost half those additional rooms. Currently, there are **3,902 new hotel rooms** in the "development pipeline."

This number includes:

- **1,543 new rooms currently under construction** (1,409 in six new hotels, 75 added to existing hotels, and a net gain of 59 new rooms when the new 579 room Hilton at Logan Airport is opened and the old hotel is demolished.)

In addition to the Airport Hilton, new construction includes Millennium Place - a major mixed use development that includes 400 dwelling units as well as retail and entertainment uses along with a 350 room luxury hotel, the Club by Doubletree - located next to the Bayside Exhibition



center, Piano Row - facing historic Boston Common, and Homestead Village - catering to the extended stay business traveler. Reuse projects underway include 15 Beacon Street - which formerly housed city government offices and which is now being converted into a high end "boutique" hotel, and the Wyndham Grand Heritage - the conversion of the historic landmark Batterymarch office building on Broad Street. The Chalet Inn of Boston and the Regal Bostonian are adding 28 and 47 rooms respectively.

- **2,359 new rooms in hotels which have been approved or are nearing approval.**

They include hotels at Battery Wharf on the downtown waterfront, the Park Hyatt near Boston Common, Massport's Parcel F by the Fish Pier in the Seaport District near the planned Boston Convention and Exhibition Center, Massport's Parcel D2 - directly across the street from the planned Center, both Embassy Suites and Atrium Suites hotels in East Boston, the conversion of an Exeter Street apartment building in the Back Bay, and the reuse of Don Bosco high school in Chinatown.

### ***Room for Additional Growth***

Boston and Cambridge together have met the requirements for 4,800 new hotel rooms by the opening of the new convention center in 2003, and Boston itself has met Mayor Menino's goal for adding 2,000 new hotel rooms by the year 2000. Yet the City of Boston continues to need more hotel rooms - more than 8,200 in the next 10 years. Even once the new hotels under construction or approved come on line, the city still will need another 4,000 new hotel rooms by the year 2008.

Fortunately, developers are attempting to meet that demand. Another 3,400 new hotel rooms have already been publicly proposed or are under active discussion with the BRA, but have not yet formally been initiated into the approval process. Most of these are in the Seaport District where the new Boston Convention and Exhibition Center will open in 2003. Assuming every project that has been proposed is actually built (which is unlikely), the city would still be almost 800 rooms short - the equivalent of one mid-sized





hotel - of the number needed to meet the increased demand that will accompany operation of the new convention.

The Boston Redevelopment Authority is actively working with hotel developers to take see that Boston's hotel room need is met and to take advantage of the continued strong Boston hotel market.







# New Hotels in Boston









